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Chain Store Age
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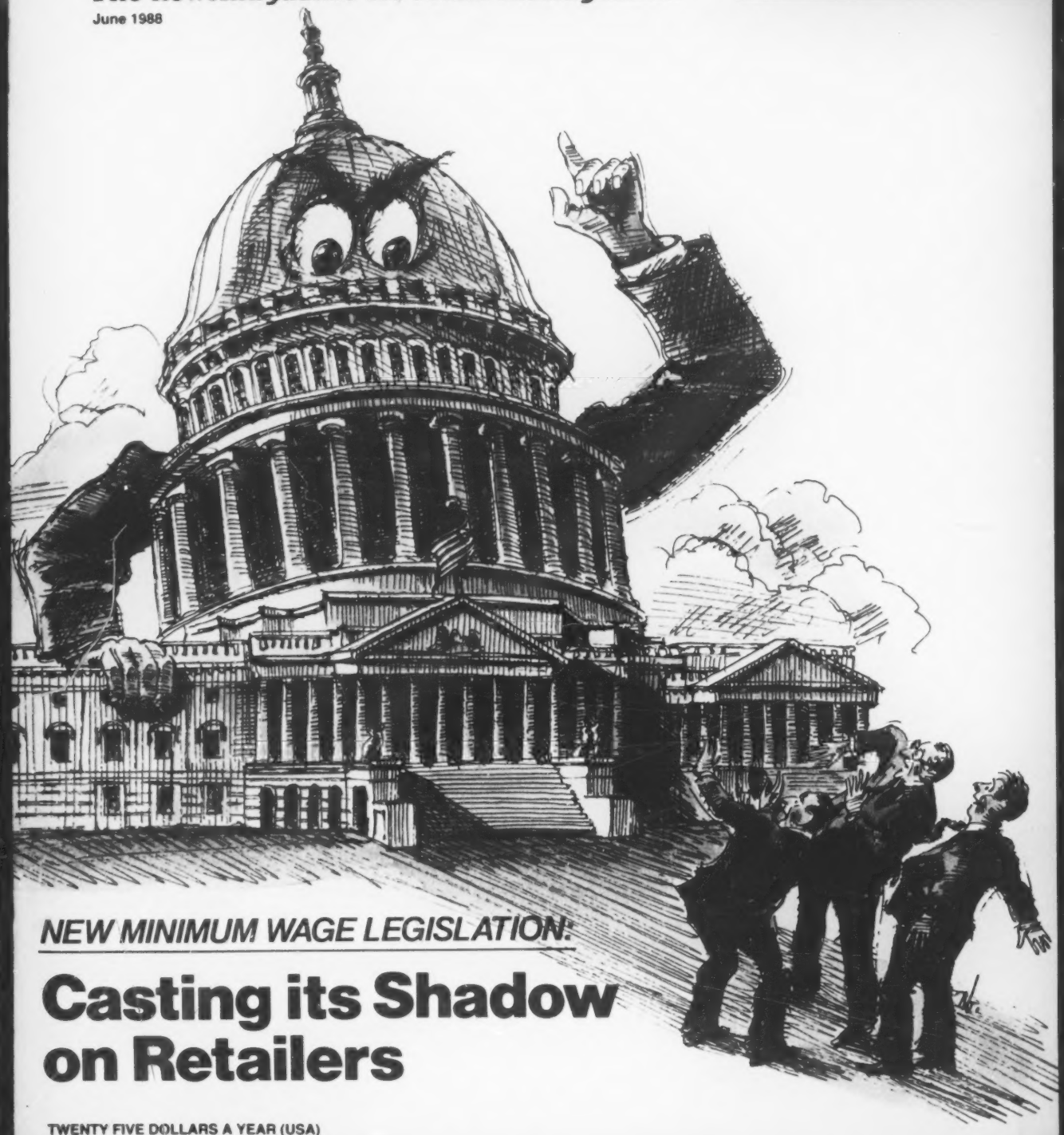
The newsmagazine for retail management
June 1988



NEW MINIMUM WAGE LEGISLATION:

Casting its Shadow on Retailers

TWENTY FIVE DOLLARS A YEAR (USA)

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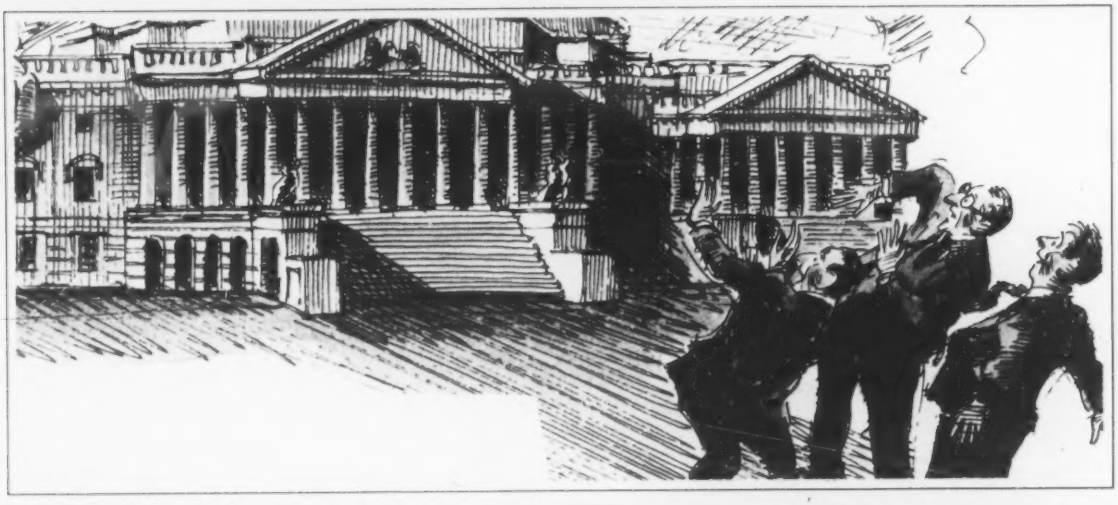

MINIMUM WAGE HIKES THREATEN RETAIL

Proposed legislation could force retailers to cut 364,000 jobs by 1990, according to a study commissioned by the American Retail Federation. Opponents of laws raising the pay floor argue that not only will a minimum wage hike cost jobs, but it will lead to a new round of inflation as retailers and manufacturers pass on the mandated higher labor costs. *22*

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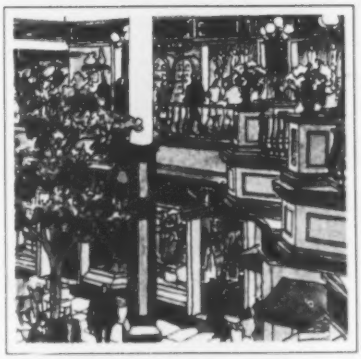

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INCENTIVE PROGRAMS TURN TO NEW CHANNELS

IMPENDING RETAIL LABOR SHORTFALLS PROMPT CREATIVE RECRUITING TACTICS

There's no longer any doubt. The American retail industry is running out of people to work in its stores. "Help wanted" signs appear to be a permanent fixture on the retail landscape. And the situation is likely to grow worse.

In the period 1984 to 1995, a total of 1,691,000 new jobs are expected to be created by retail companies (the current wave of mergers and acquisitions notwithstanding). The people to fill those jobs, however, aren't expected to be on hand.

By the year 1990 the shortfall in the labor supply, particularly part-time sales help, will become acute, according to statistics compiled by Dublin, Ohio-based Management Horizons.

As of 1981, the retail industry's single largest employee group—16- to 24-year-olds—accounted for 32.1% of all sales workers. Based on this percentage, by 1990 the industry is likely to need 645,000 such workers; population figures show that there will only be 515,000, resulting in a 20.2% shortage *(see accompanying chart)*. In total, the retail industry is projected to need 2,797,000 people to work in its stores by 1990; there are likely to be only 2,650,000, a 5.2% shortfall.

A number of retailers are already feeling the squeeze. They are becoming more creative in hiring methods. Many retailers in New Jersey, for instance, have hiring tables set up in their stores. Even when these are not manned, literature and job applications are available.

Where there are no workers to be found in the immediate area, some retailers are resorting to costly van-

pooling. Many companies are also re-examining their pay schedules, particularly with the imminent increases expected for minimum wages.

Even when these companies succeed in hiring workers their problems are far from behind them. As employee-starved retailers become more competitive in their hiring practices, there's no guarantee that a worker hired by one store won't abruptly jump ship for another. Therefore, maintaining morale among the store's labor force becomes a top priority.

Cincinnati-based Makro, for example, runs in-store contests encouraging employees to make suggestions about how to increase efficiency. Winning ideas are rewarded on a monthly and quarterly basis; annually one company employee is awarded an all-expense paid vacation. "This program increases participation by hourly employees," says Dave Nadherny, Makro's vp-personnel.

Gifts and trips are also being of-

Canadian retailers respond to dwindling labor supply

Like their counterparts south of the border, Canadian retailers face the prospect of a dwindling labor supply. They are also concerned with how to maximize the customer service provided by the employees that they do manage to find.

That concern is what prompted a recent study by KPMG Peat Marwick, Toronto, entitled "Linking Compensation to Customer Service." The results were presented at the recent annual convention of the Retail Council of Canada. A total of 24 Canadian retailers participated in this survey; the average company sales were $110 million (Canadian) in 1987.

Among the research findings:

- 45% of the respondents use non-cash programs to recognize outstanding employee performance.
- The highest paid sales associates working for the participating companies are in the men's clothing area (other departments analyzed include women's shoes, men's furnishings, women's/junior apparel, housewares/gifts, accessories).
- The average salary increase was 7.2% in 1987; it is projected to be 5.9% in 1988.
- 74% of the participants have training programs aimed at encouraging better customer service; the retailers also agreed that training contributes most to good customer service, followed by cash compensation and management control.

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Retail employee requirements to 1990

Age group	Age composition of sales workers, 1981	Need in 1990 (000)	Likely to have in 1990 (000)	Shortage/ Overage
16-24	32.1%	645	515	−20.2%
25-34	25.3	708	694	− 3.0
35-44	18.9	528	655	+24.1
45-55	15.8	442	417	− 5.7
56-64	12.3	345	256	−25.8
65+	4.6	129	113	−12.4
Total	—	2,797	2,650	− 5.2%

Source: Bureau of Labor Statistics, 1986 and Management Horizons

fered as ways of getting workers to recruit friends and previous coworkers for management and non-management positions. At Ames, employees receive gifts when a referred person is hired. All employees' names are put into a drawing for a free trip.

Regis Carozza, vp-human resources at New Castle, Pa.-based Fisher's Big Wheel, says, "There's not much we can do about how many people are out there, but we *can* do something about quality."

To help maintain this quality, the company has worked hard to reduce turnover. For example, assistant manager turnover has gone from a high of 26% down to 21% by last year due to adjustment of base pay rates along with increased training. "These programs are motivational because they give employees information that makes them able to be leaders, and that creates spirit," Carozza says.

Fisher's Big Wheel also began a series of surveys in 1988 to compare high- and low-turnover stores. Conclusions will be used to create videotapes for stores where the turnover problem is especially severe.

Hills Department Stores, Canton, Mass., is making retaining employees a high priority. Management stresses long-term career opportunities offered by this fast-growing discounter (it plans to open 16 new units this year). "During orientation we tell employees about the expansion and let them know that there is opportunity here for growth," says Nan Rutter, director of consumer affairs.

A series of in-house video programs and meetings with managers motivate and train Hills employees. "This training helps people feel good about the job they are doing," Rutter says. "If they have positive interaction with people it is motivating," she explains. "We would rather keep people and then promote people who know the company."

Maintaining a productive work force, though, also involves dealing with a host of other human resources issues. Among them are two topics examined in the pages that follow: the likely impact of impending legislation affecting minimum wages and how retailers are (or are not) dealing with the deadly AIDS epidemic. ■

Retailers turn to senior citizens

As the available pool of teenage workers continues to dry up, a number of retailers are turning to senior citizens.

One such company is Ames Department Stores, headquartered in Rocky Hill, Conn. Already feeling the pinch of New England's labor shortage, Ames is aggressively recruiting older employees to work in its stores. According to Cathryn Leonard, director of investor relations, the company is interested in older workers not only because they are plentiful, but also because they have good social skills. "We are particularly interested in the older age bracket because they tend to be personable," she says.

Several techniques are being used in this program. In the home office area, human resource representatives go to senior citizens centers and other retiree gathering places to make recruiting presentations. The field office program uses in-store posters advertising flexible hours and other advantages of retail employment.

EPoS AT TESCO: ONE OF U.K.'S BIG F[illegible] SUPERMARKETS, WHICH TOGETHER ACCOUNT FOR 53% OF FOOD PURCHASES

EUROPEAN RETAIL TECHNOLOGY COMES OF AGE

SPECIAL REPORT EXAMINES EACH COUNTRY'S APPROACH TO AUTOMATION

In Europe today, retail technology has come of age. It is no longer the sole preserve of data processing departments or considered simply as a financial management tool.

Store directors have personal computers on their desks, merchandisers use decision support software to improve on profitability and product mix, and buyers place orders via electronic data interchange (EDI) links.

Electronic funds transfer at point-of-sale (EFTPoS) and smart cards are as commonplace as checks or credit cards, and the automation flood shows no signs of abating.

At almost any major European supermarket or department store there's likely to be an electronic terminal (EPoS) at the checkout, and also a bar-code scanning device, an on-line link for credit card authorization and, in France at least, there's a good chance they'll even know what to do with a smart card.

In the backroom, there might be either a network of PCs or a sophisticated minicomputer cluster. The buying departments may well be using decision support systems to improve merchandising. Chances are that there will be an EDI system.

The individual retailing and technological traditions of each European country, however, have resulted in considerable differences in the routes individual retailers are taking toward automation.

The French, for example, invented the smart card in the mid-1970s and, national pride being what it is, have been promoting the concept on the home market ever since. Some 16 million smart cards will be issued there by the end of the decade.

France's major credit card organizations introduced smart cards instead of magnetic stripe versions back in 1983, although retailers involved in the early trial (like retailers everywhere) have been locked in arguments over transaction costs with the banks ever since.

In the U.K., meanwhile, retail buying power is concentrated into very few hands, giving them greater power in deciding the direction of technology. U.K. high streets are dominated by a handful of major companies—Marks & Spencer takes about 16% of the total clothing sales, while the big five supermarket chains (Tesco, Sainsbury, Asda, Argyll and Dee) account for more than 53% of the nation's food purchases.

When Marks & Spencer decided to adopt EDI links with its suppliers, it would have been a brave manufacturer who refused to invest in the necessary equipment and risk losing its M&S contract.

Equally, when B&Q—a major home improvement chain with 220 units—decided to introduce bar coding, a large proportion of U.K. do-it-yourself goods became source-marked almost overnight, allowing other retailers to take advantage of scanning techniques. In the U.K. alone, investment in new retail technology has reached £7 billion ($12.6 billion) in the past five years.

In contrast to the British retailing scene, Italian retailing is dominated by small, privately-owned shops with a notorious record for tax evasion. The government introduced special laws a couple of years back that required every shop to have a special electronic cash register with a sealed audit roll unit that the tax inspectors could examine.

The end result has been little

NCR 2126 INSTALLATION AT CO-OP SUPERSTORE: FAMILIAR SIGHT IN THE U.K.

change in the tax evasion problem (Italian retailers are cleverer than that), but a vast captive and profitable market for producers like Olivetti that developed the necessary statutory cash registers.

Despite these national differences, major European retailers are embracing technology enthusiastically. Many companies first installed electronic point-of-sale systems five years ago—or more—and have already upgraded the equipment since then.

House of Fraser, the U.K.'s leading department store chain that includes Harrods, has replaced an assortment of Singers, ICL, NCR and Hugin systems installed in the late 1970s with new NCR units (with the exception of Harrods, which operates IBM 3680s). More than 4,000 terminals had been installed by the end of 1987 with a further £3 million ($5.4 million) currently being invested in supermicrocomputers for local merchandise control and management reporting.

This latest investment typifies the European approach to EPoS—it is no longer regarded primarily as a stock control or sales analysis system. Instead, experienced users now put far more emphasis on how the data can be used to help merchandise planning—hence the spate of decision support, space allocation, direct product profitability (DPP) and other merchandising software tools currently being launched in Europe.

Companies like Boots (a major British drug store chain) are now using DPP and rationalizing their product assortments and pack sizes as a consequence. It is a similar picture in the rest of Europe where the Albert Heijn organization in the Netherlands has introduced DPP not just for dry goods, but on fresh produce as well.

Not all companies are such old hands. It is only in the past couple of years that Marks & Spencer has started to introduce EPoS, choosing an ICL system for its larger stores, while the smaller branches are getting something called SPoS (stand-alone point-of-sale) specially developed for the chain by Thorn EMI.

M&S wanted to avoid extensive rewiring costs, so is using a system that needs neither data communication nor power cables. Instead, there are battery-operated terminals with transaction details stored locally and the data cartridges placed in a separate group transfer unit each evening for downloading to headquarters. Some 2,600 of these terminals have been installed in 116 M&S.

Although domestic suppliers tend to dominate local markets, with Nixdorf the strongest in Germany, Olivetti in Italy and ICL in the U.K., all the European suppliers are aggressively competing for the growing business.

In the U.K., ICL estimates that the number of EPoS terminals will increase from 96,000 in 1987 to 410,000 by 1993 *(see chart)*, and it is a very similar story in the rest of Europe. "Europe is certainly moving in paral-

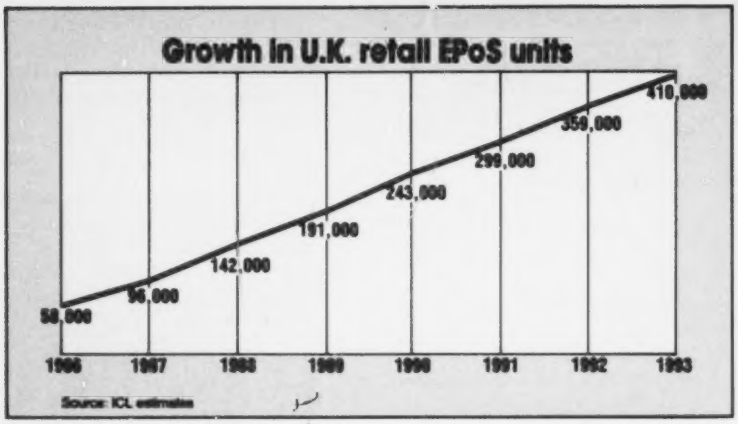
Debit card programs in the U.K. are in startup stages

The U.K. debit card scene is still fragmented. Many small EFTPoS (electronic fund transfer at point-of-sale) trials have been started by individual banks—mostly in gas stations and supermarkets—but a national scheme is still some way off.

Major banks formed a joint company—EftPos U.K. Ltd.—last year with the object of developing a national debit card scheme. The start date is mid-1989 with a planned year-long trial involving 2,000 terminals in Southampton, Leeds and Edinburgh. It will be well into the 1990s before the national scheme becomes widespread.

Meanwhile, the five major U.K. banks (Barclays, Lloyds, National Westminster, Midland and Royal Bank of Scotland) have introduced debit cards (some under the Visa banner) and are developing their own network of terminals.

Barclays has some 5,000 of its PDQ terminals in prime retail locations—including many leading specialty operators and department stores, not just the more usual gas stations and supermarkets. These terminals accept both standard credit cards and the newer debit cards and, in effect, are on the way to becoming a national EFTPoS scheme well before EftPos U.K.'s project climbs off the drawing board.



lel with the U.K. on the EPoS front," says Don Jackson, retail consultant with ICL. "Until recently we were lagging behind the U.S.A. but now I'd say that Europe had caught up, especially since European suppliers can now offer systems designed for this market rather than retailers having to select American products that were not necessarily designed for the European style of retailing."

As an example Jackson notes the high transaction rates needed in U.K. supermarkets where trading hours are much shorter than in the U.S. and there is a consequent need for fast checkout throughput to avoid the queues—especially in the peak Friday evening rush.

U.S. equipment suppliers have often had to tailor products to European needs. In Europe, for example, it is normal for checkout operators in supermarkets to sit down to work. This led Spectra Physics to design a shallow flatbed scanner which allows operators to get their knees under the unit—not previously possible with standard American systems.

Supermarkets are lagging behind U.S. ones in their willingness to sell scanning data back to suppliers. This is beginning to happen a little in Germany and in the U.K. via A.C. Nielsen's Scantrack service.

Progress is slow, however, and the need to share data is regularly stressed by food manufacturers.

This comparatively late spurt from European retailers for EPoS has also allowed many to take advantage of the recent leaps forward in technology. Olivetti, for example, only launched its first own-manufactured EPoS system at the end of 1987.

"Until the advent of open architecture systems we were never committed to the retail marketplace," says Grant Calvin, the company's U.K. retail group manager. "In effect, we've held back until the right technology came along and now we're offering a solution which allows users to reap the benefits of the latest open systems."

First order for Olivetti's new ORS 500 system came from the British B&Q home improvement chain which has been using IBM 3680s. It had worked with PSI in the States to develop FTS—flexible trading system—which allowed it to use the MS-DOS operating system on its IBM equipment and so gradually introduce other suppliers' hardware and software.

"Technology has changed a lot in the past few years," says David Hodgson, B&Q's business systems controller, "and the new Olivetti system offers us more resilience than was available when we invested in IBM three years ago. It also operates on OSI standards, so we shan't be tied to any one supplier in the future."

The Olivetti system is also being installed by the Italian Co-op and the Agip petroleum group throughout Europe. The Burton Group—one of the few large U.K. retail organizations without a unified EPoS policy—is also piloting the ORS 500 in one of its Liverpool men's wear stores.

Burtons is typical of many European clothing chains in its reluctance to invest in EPoS. After all, many high fashion lines cannot be repeated so item level sales/stock data may be of limited value. Instead many of these firms are developing backroom systems looking at overall product trends and aimed at improving distribution and stock-turn.

Currently about a third of large European retail companies have installed EPoS systems and this figure is expected to grow to 50% by 1989. Sectors which are lagging behind in the EPoS race are generally those where small independents continue to dominate.

While EPoS developments in Europe may be moving in parallel the picture is quite different for EFTPoS. Here it is very much a "love it or loathe it" dichotomy related more to national preferences for checks or credit cards.

In France, Sweden and the U.K., credit cards are very important and checks can easily account for 25% of transactions. However, in the Benelux countries, Switzerland, Germany and Italy there is little local use of credit cards. The average Belgian, for example, writes only 15 checks a year.

Belgium has thus missed out on both check and credit card systems and embraced EFTPoS with enthusiasm. ATMs were first introduced in 1977 and the nation's gas stations started using customer-activated island-mounted card

HOUSE OF FRASER: ONE OF 4,000 NEW NCR EPoS UNITS

readers in 1980. Today EFTPoS in one form or another accounts for 85 million operations a year in a country of only 10 million inhabitants.

In comparison, there are virtually no card payment systems yet available in Germany and minimal use of credit cards. The banks are jointly working on a national EFTPoS scheme based on smart card technology which will be getting under way later this year. There are also a few local systems, such as Fashioncard operated from Hamburg, but these are growing very slowly.

SUPERMARKET CHECKOUT: EPoS TERMINALS IN THE U.K. MAY NUMBER 410,000 BY 1993

The French are probably the most enthusiastic EFTPoS fans—thanks to their concentration on smart cards. Critics dismiss this French love of smart cards as a belated gallic attempt to impose its own standard on the rest of Europe and suggest it is doomed to failure. However, the Norwegians have run similar smart card EFTPoS trials very successfully at Lillestrom and its commercial banks use these cards as standard.

All French banks belong to the Groupement des Cartes Bancaires which co-ordinates strategy and this French system is certainly one of the most unified in Europe. The banks tend to issue what are called "level 2" cards which are national payment and withdrawal cards which can be sold as immediate debit or deferred debit cards to suit the customer. Around 9 million of these cards have been issued and most have both mag stripes and built-in chips so can operate as smart cards.

According to Jean Pierre Camelot, senior vp of Groupement des CB, some 300,000 of the country's 360,000 retailers still use manual methods for handling card transactions; 50,000 major firms have been equipped with terminals by the banks (generally these are limited in the range of cards they accept) and account for 60% of all card transactions. The remaining 10,000—mostly major department stores, gas stations and hypermarkets—have their own privately bought terminals which can accept all types of cards and about 25% of their transactions are cards handled electronically.

Joining France in being one of the earliest European countries with national EFTPoS is Norway. A scheme operated by Fellesdata—a company representing the country's 192 savings banks—was introduced a few years back and more recent agreement on joint developments with the commercial banks has provided for a united approach to electronic funds transfer.

With a population of 1.4 million, Norway now boasts some 3,500 EFTPoS terminals. There are 2,000 shops offering EFTPoS and that figure is expected to double during 1988 with 10%-20% of transactions handled this way.

Because of the mixture of mag stripe and smart cards the Norwegians have had to introduce a combined terminal which can read and process both types of cards in on- and off-line mode. A shortage of these units has caused delays in the Norwegian EFTPoS program, but four suppliers have now come up with the goods and Per Bjerkaas, who heads the Federation of Norwegian Commercial Associations, believes that progress will be rapid. *(For information on what is happening with EFTPoS in the U.K., see accompanying story.)*

Although the arguments over mag stripe vs. smart card may continue for some time, the European Economic Community is toward a unified trading approach by 1992 and companies are becoming increasingly aware of the need for international communications standards that this elimination of trade barriers demands.

Europe has already adopted standard bar-coding systems in many sectors using EAN (European article numbering) code. This is similar to UPC code and is generally used in either an eight or 13-digit version. Virtually all grocery lines are now source marked and bar coding is rapidly spreading to books, periodicals, stationery, DIY products, audio, etc.

Fashion and footwear tends to lag behind with individual companies usually preferring their own numeric or Kimball code systems, although Interleaved 2 of 5 is being adopted as a standard bar code by some fashion retailers.

Compared with a few years ago, the European economies are thriving. Retailing is passing through a very dynamic phase with many new niche traders, aggressive acquisition policies and new style shopping developments.

With most large firms well down the automation road, suppliers are beginning to pitch products at the smaller outlets which have yet to discover the benefits of EPoS—NCR, for example, is developing a scanning system aimed at one- to five-aisle supermarkets.

The more sophisticated retailers fully appreciate that their businesses now depend on technology to maintain a competitive edge and are making innovative use of PC technology to integrate a wide range of functions into their store systems.

EFTPoS may be meeting with a mixed response throughout Europe but as far as store systems, communications and integrated computing systems go, retail technology has certainly come of age. ■

—Penelope Ody

Ms. Ody, a special contributor to this issue, is editor of Retail Automation, *a British retail technology journal.*

GQ'S 'MAN IN THE MIRROR' TALKS BACK

NATIONAL SURVEY POLLS ATTITUDES AND OPINIONS OF MEN'S MARKET

What do men really want?

The same question has been asked for years concerning the needs and wants of females. Recently, *Gentlemen's Quarterly* turned the tables by underwriting a national survey of men's attitudes. Significance Inc., a New York City-based market research firm, conducted the study; 1,062 men participated in the project.

The findings of this research have resulted in the *Gentlemen's Quarterly's* American Male Opinion Index, subtitled "The Man in the Mirror."

According to Jack Kliger, *GQ*'s publisher, "There are 118 million men in the United States who have been treated as one. But all men are not alike. And as the women's market is continually being segmented, analyzed and categorized, the male market is demanding equal rights."

To begin with, the study classifies men into one of two rather broad groups: the change-opposers (48% of those surveyed) and the change-adapters (52%).

Contained within each of these two broad groupings are sub-categories, defined on the basis of attitudinal research. This research involved questions related to each of the following: men's self perceptions; sex, commitment and family; and what *GQ* terms "men and their world," including the quality of life, social concerns and coping with change.

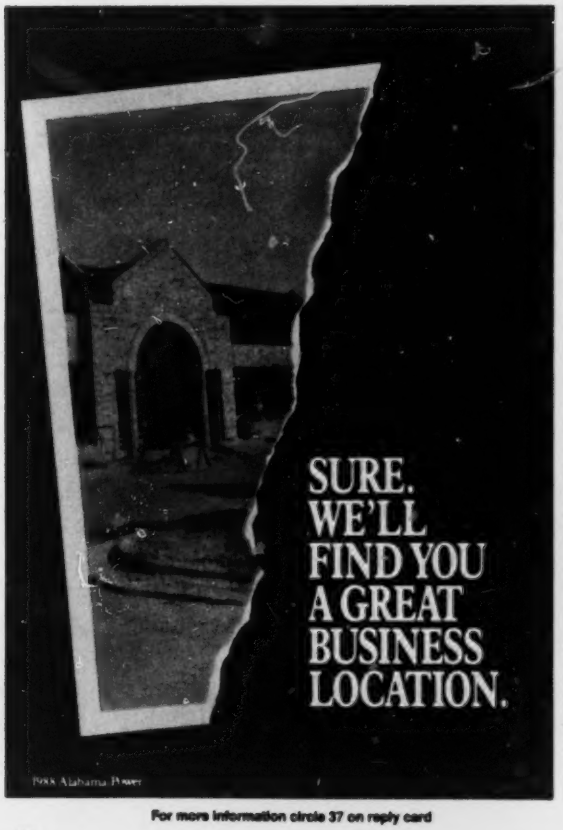
The answers to these questions led to such sub-groupings as the change-resisters, the reactives, and the transitionals, all found under the change-opposers category. On the other hand, the change-adapters include the self-designers, the self-directed, the mature traditionals and the new traditionals.

The typical change resister has experienced little career and/or financial success. He spends most of his time engaged in family or home-related activities. He is conservative in the values he holds, believing strongly in tradition.

Closely related to the change-resister is the reactive. A member of this group is likely to be intimated by change. He tends to cling to traditions and is intimidated in particular by technology-produced changes.

A reactive male is also likely to behave in a distinct way when making purchasing decisions. He is extremely unlikely to "frequently try a new product" (only 8% of this group said they might).

Almost one-quarter of resister males agree with the statement they are "often disappointed" in the products they buy. Correspondingly, 51% say they shop "only at a few stores I know well."



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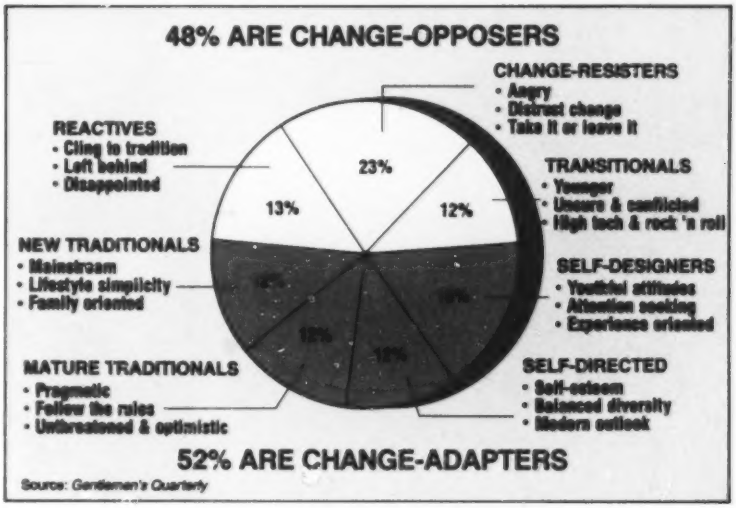
The last change-opposer group is the transitionals. "Transitional" refers to the fact that the attitudes of males in this group are in a state of flux.

Unlike a transitional male, a new traditional is likely to be very aware of the importance of appearance, especially when it comes to career success. A new traditional male is also very likely to derive most satisfaction in his life from family and friends (according to 72% of this group, compared with 61% of all men surveyed). He is also extremely likely to feel that his family is "the most important facet of my life" (the sentiment expressed by 78% of these males).

When it comes to making purchases, a new traditional takes a fairly cautious approach with reliability playing the leading role in making buying decisions.

When discussing the mature traditional male, the word "traditional" itself is key in understanding his behavior: most of these males (53%) think "American made is the best made" when looking at product choices; "my family is the most important facet of my life" is a shared belief (held by 81%).

At the same time, though, 37% of such males maintain that their careers are the "proudest accomplishment" of their lives. This segment contains the largest percentage of men in sales and managerial or administrative occupations. To be successful in such occupations, they place a high value on appearance.



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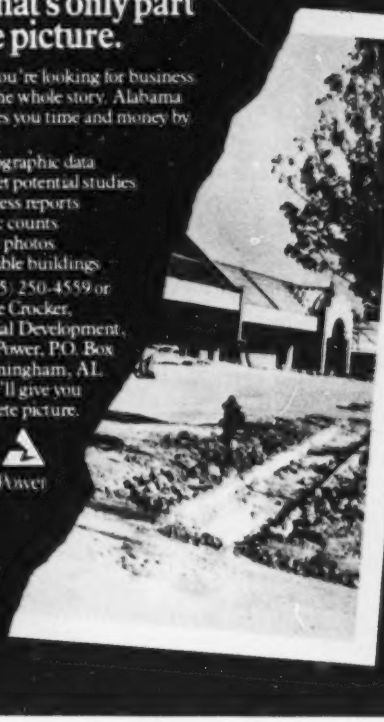

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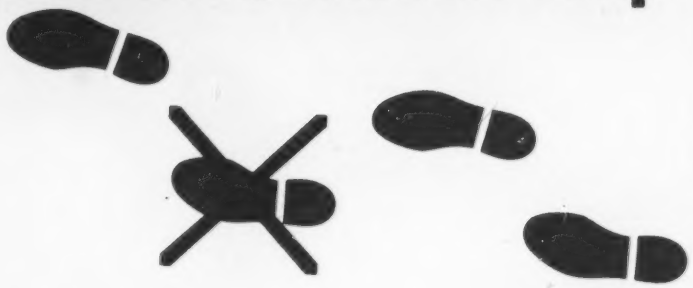

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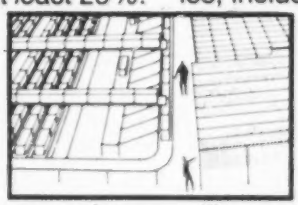

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MARKETING

A member of the self-designers group is even more apt to be career-oriented. He is also likely to have a higher average household income than men found in any other groups. Similarly, he is the most conscious of his appearance and most attuned to how he is perceived by others. Seventy-six per cent of such males agree with the statement "How I look is an important part of what I am."

A self-designer usually has a diversity of interests: he likes to participate in activities that contribute to self-improvement, as well as those he believes improve the quality of life. He is information-oriented, especially when it comes to acquiring information about money management, fashion and vacation destinations.

The last of the seven sub-groups, the self-directed, are generally affluent, educated and in control of their lives. It's not surprising that more than 70% of such males say that they "love to explore new things and learn new ideas."

Likewise, when it comes to their appearance, a majority of these men say, "I won't mind looking my age when I'm over 40" (a milestone which a large number have already passed); 33% of this group also feel that "women are more attracted by brains and personality than by looks."

Other general findings of the *GQ* study include the following:

- Forty-five per cent of all of the men surveyed said their income can meet their needs; yet 52% report they are willing to pay more money to make certain that what they are buying is the highest quality product available.
- Only 26% of those men surveyed strongly agreed with a statement indicating work is the proudest achievement of their lives; only 15% state that their career is as important to them as their family and friends, although 40% admit that their career is an important expression of who they are; 52% of men feel people are so caught up in making a living they lose track of what's important in life.
- Seventy-nine per cent of those surveyed strongly support the statement "It is only fair that women workers should get equal pay for comparable work."
- When it comes to their families, 87% of the men assert that a father's role is just as important as a mother's in raising children; 73% say that their families are the most important facet of their lives; 54% say the most satisfying accomplishment for a man is to be a father. ■